

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

COVER SHEET

DOCKET
NUMBER: 2010 - - E

Email: chad.burgess@scana.com

DOCKETING INFORMATION (Check all that apply)☐ **Other:**

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input checked="" type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



K. Chad Burgess
Associate General Counsel

chad.burgess@scana.com

December 29, 2010

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: Request of South Carolina Electric & Gas Company for authority to transfer, at book value, certain real property to SCANA Services, Inc. and to Carolina Gas Transmission Corporation
Docket No. 2010-____-E

Dear Ms. Boyd:

By Order No. 92-931, dated November 13, 1992 ("Order"), issued in Docket No. 89-230-E/G, the Public Service Commission of South Carolina ("Commission") approved certain regulatory requirements regarding the sale and subdivision of real property owned by South Carolina Electric & Gas Company ("SCE&G" or "Company"). Among the recommendations and reporting requirements relating to real property, the Order states, "[a]ny utility or non-utility land or real property transfers between SCE&G and SCANA or any of SCANA's subsidiaries, or to any other party, should be made at market value." See Appendix A to Order, p. 19. For the reasons set forth below, SCE&G respectfully requests that the Commission issue an Order granting SCE&G the authority to transfer certain real property, at book value, to SCANA Services, Inc. and to Carolina Gas Transmission Corporation.

Background

Near the intersection of 12th Street and Interstate 77, SCE&G owns two tracts of land consisting of approximately 382 acres.¹ Both tracts of land are located within the municipal boundaries of the City of Cayce. Enclosed you will find a map depicting both tracts of land. The map is marked as Appendix A. The two tracts of land are outlined in red and identified as "Tract 1" and "Tract 2." The collective book value of the two tracts of land is \$392,119.18, or \$1,026.49 per acre.

(Continued . . .)

¹ SCE&G owns additional acreage near and around the intersection of 12th Street and Interstate 77. This acreage is outlined in red on Appendix but is not the subject of the requests made herein.

a. Tract 1

Tract 1 is outlined in red on Appendix A and consists of approximately 219 acres. SCANA Corporation ("SCANA") recently completed construction of its administrative offices on approximately one hundred (100) acres of Tract 1. This property is shown on Appendix A within "Tract 1" and shaded yellow. The administrative offices are owned by SCANA Services, Inc. ("SCANA Services"), a subsidiary of SCANA. SCANA Services provides administrative, management and other services to the subsidiaries and business units within SCANA, including SCE&G. The land upon which SCANA's administrative offices rest has a book value of \$102,649 (100 x \$1,026.49). In addition to the actual cost of the land, the Company also incurred mass grading charges associated with readying the land for the construction of the administrative offices. These grading costs totaled \$6,797,782 (100 x \$67,977.82). In summary, the total book value of the 100 acres is \$6,900,431.

Tract 1, including the mass grading charges, is classified as non-utility property on the Company's books and as such is not included in SCE&G's rate base. Accordingly, the Company has not included any costs associated with Tract 1 in any utility rates or rate calculations.

b. Tract 2

Tract 2 is outlined in red on Appendix A and consists of approximately 163 acres. SCE&G constructed an Operations Complex on 154 acres of Tract 2. The Operations Complex is depicted on Appendix A and shaded tan. Additionally, SCE&G allowed Carolina Gas Transmission Corporation ("CGT"), a wholly-owned subsidiary of SCANA, to construct a Field Operations Facility on 11.2 acres of Tract 2 and within SCE&G's 154-acre Operations Complex. The property on which the Field Operations Facility was constructed is shown on Appendix A and shaded green. The land upon which the Field Operations Facility resides has a book value of \$11,497 (11.2 x \$1,026.49). In preparing the 154-acre Operations Complex for the construction of facilities, the Company incurred \$10,574,328 of mass grading charges (\$68,664 per acre). The portion of the mass grading cost associated with the 11.2 acres on which the CGT facility was located is \$769,037. In summary, the total book value of the 11.2 acres is \$780,534.

The land on which the Operations Complex rests is classified as common utility property by SCE&G because the Company has numerous common facilities at the Operations Complex. While Tract 2 is classified as common utility property, the land has not yet been included within the rate base for the Company's electric operations. However, that portion of Tract 2 allocable to SCE&G's gas operations is included within the rate base for the Company's gas operations and has been included within the rate base since October 14, 2010. Accordingly, SCE&G is charging CGT a fee in the amount of \$8,971 to lease the land. This fee equals the amount of the annual revenue requirement on the land paid by SCE&G's gas customers as a result of the land being

(Continued . . .)

included within the rate base for SCE&G's gas operations. If the Commission grants the relief requested herein, then SCE&G will remove the 11.2 acres from its rate base during its next filing made pursuant to the Natural Gas Rate Stabilization Act under S.C. Code Ann. § 58-5-410 *et seq.* (Supp. 2009).

**Request to Transfer 100 acres to SCANA Services, Inc. at Book Value and to
Transfer 11.2 acres to Carolina Gas Transmission Corporation at Book Value**

Order No. 92-931 generally requires that SCE&G will dispose of real property at fair market value. See Appendix A to Order, p. 19. SCE&G is informed and believes that the intent of that provision of Order No. 92-931 was, among other things, to prevent the transfer of property at discounted values from regulated to unregulated entities.

In the present case, SCE&G has allowed SCANA Services and CGT to use a portion of its property. As stated above, Tract 1 is classified on SCE&G's books as non-utility property, while Tract 2 is being carried on SCE&G's books as common utility property. So that the accounting records of each company will reflect the true economic usage of the property, SCE&G hereby respectfully requests authorization (i) to transfer, at book value, 100 acres and the associated mass grading costs to SCANA Services and (ii) to transfer, at book value, 11.2 acres and the associated mass grading costs to CGT.

In the case of the Tract 1, transferring 100 acres to SCANA Services at book value ensures that SCANA's consolidated asset base remains the same after the land transfer and, in turn, ensures that SCE&G's customers do not feel any of the detrimental effects that might occur if Tract 1 were carried on SCANA Services' books at the higher fair market value, i.e., increased property taxes.

In the case of Tract 2, both SCE&G and CGT are regulated utilities. If SCE&G were to transfer 11.2 acres to CGT at fair market value, then under accepted utility accounting standards, SCE&G would be required to recognize a gain on the transfer, which it would then book into FERC account, 421.1 Gain on Disposition of Property which is a non-utility account. And, if CGT were to book the property in its accounts at fair market value rather than at book value, then CGT's rate base would increase in an amount equal to the fair market value of the land. Because SCE&G is a customer of CGT, a fair market value transaction would adversely affect SCE&G and its natural gas customers in the form of additional costs for gas service.

(Continued . . .)

The Honorable Jocelyn G. Boyd
December 29, 2010
Page 4

Thus, SCE&G respectfully requests that the Commission issue an order authorizing SCE&G to transfer 100 acres and the associated mass grading costs to SCANA Services at book value and to transfer 11.2 acres and the associated mass grading costs to CGT at book value.

By copy of this letter, we are notifying the South Carolina Office of Regulatory Staff of the Company's request.

If you have any questions, please advise.

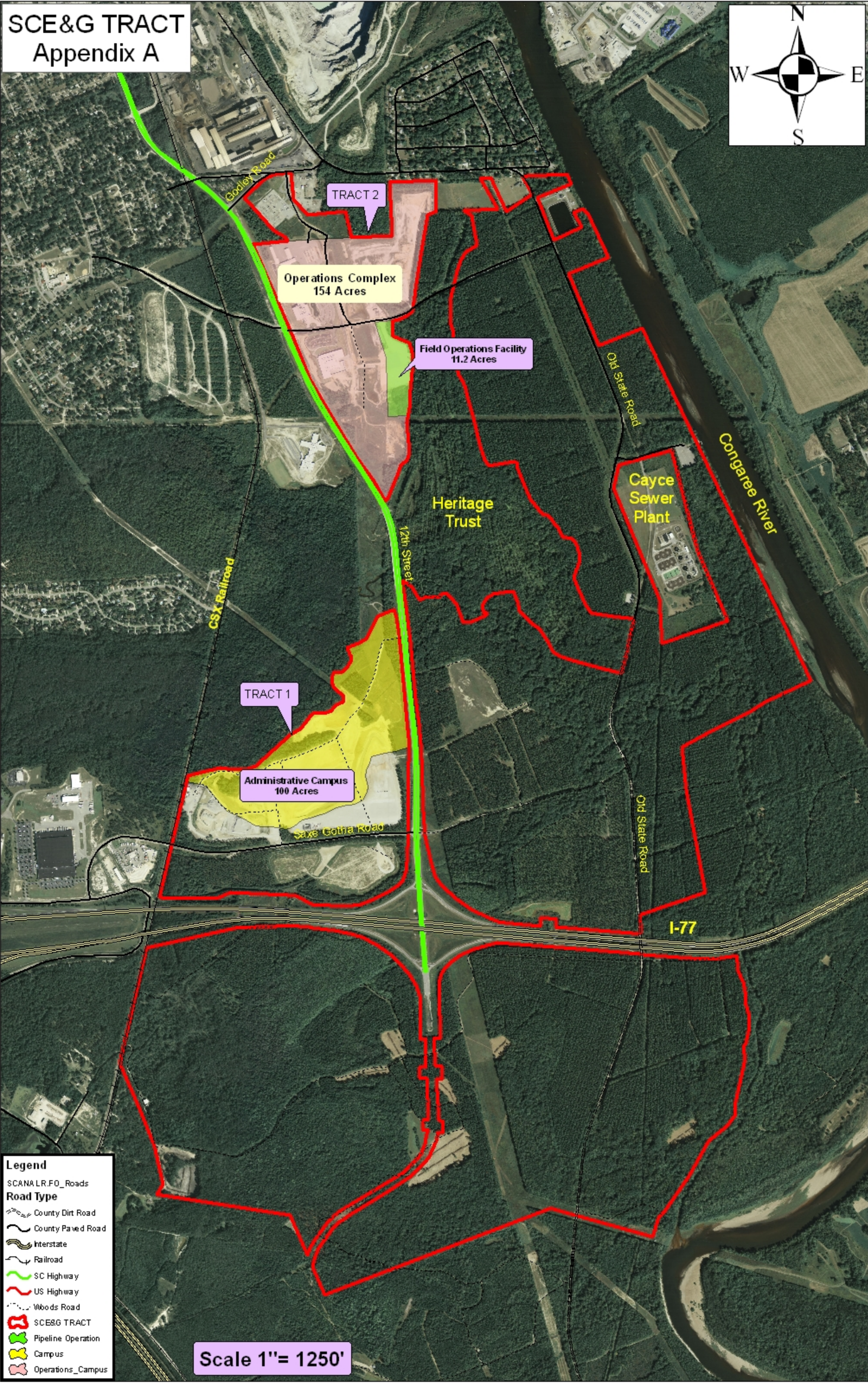
Very truly yours,


K. Chad Burgess

KCB/kms
Enclosure

cc: John W. Flitter
A. Randy Watts
Jeffrey M. Nelson, Esquire
(all via electronic delivery and First Class U.S. Mail)

SCE&G TRACT
Appendix A



Legend

SCANA LR.FO_Roads

Road Type

- County Dirt Road
- County Paved Road
- Interstate
- Railroad
- SC Highway
- US Highway
- Woods Road
- SCE&G TRACT
- Pipeline Operation
- Campus
- Operations_Campus

Scale 1"= 1250'